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ABSTRACT *This paper explores the privatization of state owned enterprises in Turkey as a function of an alliance of diverse social forces composed of market-oriented capital groups, mainstream media, national bureaucracies, and government officials. It highlights that these actors emerged in the post-1980 period because of dramatic transformations in Turkish society and the economy initiated by the process of neo-liberal globalization. The unification of diverse identities and interests around the strategy of further integrating with the global economy were crucial in the recent acceleration of the privatization process in Turkey. The paper also shows that market-oriented social forces sidelined resistant groups through a discourse that emphasized that privatization would bring material and other benefits to all and that the alternatives were worse. Such a communicative process played a crucial role in generating consent/hegemony for privatization in the 2000s.*

KEY WORDS: privatization, hegemony, social forces, Turkey

Privatization is a global trend that aims to reduce the role of the government as a dominant actor in the economy (Boubakri *et al.*, 2009, p. 367). The public ownership of firms has been rolled back in many parts of the world as of the 1980s. Like many developing countries, Turkey engaged in privatizing its public enterprises and received $36.5 billion in revenue from these transactions between 1986 and 2009 (www.oib.gov.tr). As of 2002, Turkey accelerated its privatization program and realized a sustainable large-scale privatization in highly profit making, strategically important enterprises such as the TÜPRAŞ oil refinery, the steel and iron producer ERDEMİR, and Turk Telekom. After these comprehensive privatizations, the value added of state-owned enterprises (SOEs) in GDP decreased from 6.24 percent in 1985 to 1.39 in 2008 (www.treasury.gov.tr).

Bortolotti and Pinotti (2003), Brune *et al.* (2004), and Perotti and Bortolotti (2005) attribute the privatization initiatives of developing countries to the pressures of international financial institutions, such as the International Monetary Fund (IMF), that imposed privatization as a condition for lending. Although external actors were crucial in Turkey's initiating and accelerating its privatization program, the process cannot be explained solely by external pressures. Attributing privatization to the coercive power of the IMF ignores the deeply political and contingent character of privatization as external

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actors are seen as 'given', independent from the actions and choices of domestic social forces that are embedded in the broader context of transnationalization of production and finance.

The theoretical and empirical literature on privatization from an economic perspective identifies 'economic efficiencies' as the primary motivation for privatization. Various scholars argue that privatization is conducted to address a diverse range of 'problems' such as economic inefficiency, political interference in the management of enterprises, lack of innovation in the public sector, the need to reduce public expenditure, and so on (Boycko *et al.*, 1996; Kikeri & Nellis, 2004; Megginson & Netter, 2001; World Bank, 1995). These arguments present privatization as a rational response to functional requirements of the economy without questioning the basis of these claims. Treating privatization as a technical instrument to achieve productive efficiency, this approach fails to consider it as a political choice that redistributes costs and benefits among diverse groups in society.

Others stress the role of ideas and their international diffusion as catalysts of privatization. An intellectual disillusionment with the Keynesian approach, rational learning, and cross-national process of emulation are argued to be important factors in the decision to privatize (McNamara, 1998; Meseguer, 2004; Ramamurti, 1999). A globally dispersed epistemic community and American-trained economists are also seen as decisive actors that drove the privatization process (Kogut & MacPherson, 2008). Considering privatization as a value-neutral policy, this approach ignores why certain actors promote this particular idea and prevent the consideration of alternative ideas. Although this perspective is successful at highlighting the role of actors in convincing others to comply with privatization, it fails to explain why some others choose not to agree.

While these different explanations provide useful insights, understanding the implementation of privatization in Turkey, a country with a strong legacy of state intervention in the economy, requires a more comprehensive analysis of the dynamic process of decision making. Drawing upon a neo-Gramscian perspective, the article attributes the recent acceleration of the privatization process in the country to the broader structural transformation in the world economy and its consequences for Turkish society.

The Reconfiguration of Social Forces and the Acceleration of the Privatization Process in Turkey

The world economic crisis of the mid-1970s was accompanied by a shift away from the Bretton Woods system of fixed exchange rates to the promotion of monetarism and an increase in competitive pressures in developed countries (Cox, 1987, p. 298; Overbeek, 2005, pp. 1–2). A parallel process of restructuring also occurred in developing countries due to the problems in applying import-substitution industrialization (ISI) strategies. These problems were coupled with inflationary pressures and high interest rates resulting from the recycling of so-called petrodollars (Cerny *et al.*, 2005, p. 13). Accordingly, many developed and developing countries engaged in rolling back the state involvement in the economy as of the late 1970s. State structures were readjusted to integrate their economies with the global system of production and exchange (Gill, 1993, p. 31). Market-oriented economic reforms, including macroeconomic stabilization, liberalization of economic policies, privatization, and deregulation took root in many parts of the world (Simmons *et al.*, 2006, p. 781; van Apeldoorn, 2005, p. 114).

These developments were coupled with the revival of liberal economic ideas that legitimized and naturalized the neo-liberal policies by creating the common conviction that the nature of the state-led economy was anti-competitive and disruptive for economic growth (Baker, 1999). With the rise of the discourse that there was no alternative to market supremacy and relying on markets was good for everyone, the premises of liberal economic ideas became the generally shared understanding, or 'common sense'. Common sense refers to the conception of the world or the primary mode of thinking a society uncritically shares and employs (Gramsci, 1971, p. 323). Motta (2008, p. 308) suggests that common sense should be thought of as a cognitive horizon or system of beliefs in which an existing social order is represented as natural and therefore legitimate.

This material and ideational shift resulted in an intensified transnationalization of finance expressed in the establishment of a globally integrated financial market and the transnationalization of production characterized by production processes being organized across borders (Bieler, 2008, p. 86; Cox, 1996, pp. 298–300). The transnationalization of production and finance gave rise to new configurations of *social forces* that became the bases of power within and across states (Cox, 1987, p. 4). These social forces include those that identify their interests with the globalization of production and capital, favor the logic of market supremacy, and act as key actors of the process of economic liberalization.

The changes that took place in the world economy in the late 1970s marked a turning point in Turkey's political, social, and economic structure as well. At the heart of these changes lies the January 1980 structural adjustment program that shifted the economic model based on import-substitution industrialization (ISI) to an export oriented free market economy. This shift that aimed at integrating with the global economy contributed to the development of a new *historic bloc* composed of outward-oriented social forces, including internationalized capital groups, market-oriented politicians, bureaucrats, and intellectuals in Turkey. The concept of historic bloc reflects an alliance in which different identities and interests are incorporated into an active and largely legitimate system of rule (Gramsci, 1971, p. 366).

Outward-Oriented Capital Groups in Turkey

The liberalization of the Turkish economy in line with the globalization of production and finance changed dramatically the objectives, future prospects and growth perspectives of capital groups in Turkey. Benefiting from the internationalization of the economy since the early 1980s, particularly big capital represented by the Turkish Industrialists and Businessmen Association (TÜSİAD) expanded its market base overseas and became internationally competitive. Emphasizing the shortcomings of state intervention in the economy, big capital demanded a new political and economic arrangement and strongly asked for state reform. Moreover, it asked for the implementation of a privatization process that would accelerate the growth of domestic capital through the transfer of large-scale profitable state enterprises.

Turkish capital groups saw privatization also as an important means for attracting foreign direct investment (FDI) to Turkey (TÜSİAD, 2004a). As FDI flew to those countries which had the most business-friendly environment including favorable privatization strategies (Holman, 2001, p. 181), business groups encouraged FDI in Turkey with the expectations that it would contribute to the introduction and application of modern technologies and new forms of industrial organization, the creation of new jobs, and improved skills in the Turkish workforce (TÜSİAD, 2004a).

In the 1990s, inflows generated through privatization accounted for about 90 percent of FDI in the Czech Republic, and about 50 percent in Poland and Hungary (Koldaş, 2005). As compared to these international experiences, the FDI inflows related to privatization in Turkey turned out to be very low (TÜSİAD & YASED, 2004).[1] In the 1988–2004 period, the total amount of foreign investment in privatization was only $1.4 billion, which accounted for 7.3 percent of total FDI inflows (Koldaş, 2005, p. 22). In 2005, however, more than 70 percent of the total FDI flows coming to Turkey (almost $9.7 billion) was related to privatization transactions (World Bank, 2006, p. 8). Due to the privatization of the most attractive parts of the Turkish public sector foreign investors emerged as influential participants in the process. As the former Deputy Prime Minister Abdullatif Şener stated foreign capital had the tendency of concentrating on four sectors like retailing, electricity generation and distribution, banking, and telecommunications in Turkey (Aksiyon, 2005). In 2006, FDI inflows increased significantly to 4.9 percent of GDP, more than 85 percent of which were equity investment in financial services (40 percent), communication (36 percent), wholesale and retail trade (9 percent) and chemicals (3 percent) (European Commission Progress Report, 2007, p. 31).

Privatization served as an instrument for the opening up of new investment opportunities for both domestic and transnational capital. For instance, privatization in the cement industry started in 1989, with the initial sale of five factories to the French firm Cement Francais (SCF). Before the privatizations started, the share of public sector in the industry was nearly 40 percent. The privatization program covered thirty-three state enterprises in the cement industry. The privatization proceeds amounted for $1.043 billion when the privatization process was completed in 1998 (Müslümov, 2005, p. 66). As the state completely withdrew from the cement industry, currently all of the fifty-seven factories (thirty-nine of them are integrated facilities and eighteen are grinding and packaging facilities) operating in the industry are private enterprises, some owned by large industrial holdings and others by small companies (Müslümov, 2005, p. 66).

In the iron and steel industry, based on its decision no. 2005/51, the Privatization High Council announced that 49.9 percent of ERDEMİR, Turkey's largest iron and steel producer, was to be privatized through bloc sale on 5 May 2005. As indicated by Gülefşen Demirbaş, Project Group Head, ERDEMİR's privatization received a lot of interest from important international investors such as Mittal Steel, Arcelor, Severstal, POSCO, NLMK, and many other strategic investors (personal interview). In a public auction held on 4 October 2005, the domestic company OYAK (the Armed Forces Mutual Assistance Foundation) was chosen as the winning bidder for the 49.29 percent stake in ERDEMİR for a price of $2.77 billion. The transaction was the largest steel privatization worldwide in 2005. With the privatization of ERDEMİR, the Turkish steel industry became a sector completely operated by private investors.

Capital groups were particularly interested in the privatization of large public monopolies like TÜPRAŞ and Turk Telecom. Table 1 lists the privatization of enterprises such as PETKİM, TEKEL, and Turkish Airlines, the large shares of which were bought by influential domestic and foreign investors.

The domestic capital groups justified the privatization of such important enterprises on the grounds that privatization accompanied by competition would lead to increases in efficiency and growth by subjecting public firms to the discipline of the market (TÜSİAD, 1998). They also argued that excessive government intervention hindered the efficient allocation of resources through the market mechanism, thus impeding necessary

Table 1. Selected privatization transactions

Name of the company	PA shares	Percent of shares sold	Industry type	Sales method	Purchased by	Sales date	Sales ($ mill.)	Number of applications
PETKİM	99.97	8.08	Petro-chemical	Public offering		June 1999	150.0	76.119
PETKİM	88.86	34.50	Petro-chemical	Public offering		April 2005	274.0	23.054
PETKİM	54.36	51	Petro-chemical	Bloc sale	Socar and Turcas-Injaz Consortium	July 2007		
TÜPRAŞ	100	1.6	Petroleum Refineries	Public offering		May 1991	6.0	15.456
TÜPRAŞ	96.42	30.65	Petroleum Refineries	Public offering		April 2000	1.1	369.566
TÜPRAŞ	65.77	51	Petroleum Refineries	Bloc sale	(Koç-Shell)	Nov. 2005	4.1	2.488
THY	100	1.55	Airlines	Public offering		Nov. 1990	5.0	
THY	98.17	23	Airlines	Public offering		Dec. 2004	191.0	29.280
THY	75.18	28.75	Airlines	Public offering		May 2006	207.0	10.757
TEKEL	100	100	Alcoholic beverages		Mey İçki San. ve Tic.A.S.	Nov. 2003	292.0	
TEKEL	100	100	Tobacco	Bloc sale	British American Tobacco	Feb. 2008	1.7	
Halkbank	99.96	22.98	Public bank	Public offering		May 2007	1.8	50.502
Türk Telecom	100	55	Telecommunication	Bloc sale	OGER Telekom	Nov. 2005	6.5	

Source: Privatization Administration, www.oib.gov.tr adjustments to the changing global environment (TÜSİAD, 2004b). Their economic discourse rested on organized and systematized ideas in favor of privatization that were embedded in theories produced in institutions such as leading universities, think tanks and international financial institutions. The theoretical literature that established the rationale of privatization as insulating public enterprises from political interference, providing incentives to managers and ensuring their efficient monitoring made their way to Turkey as well. The positive association between privatization and increased growth (Cook & Kirkpatrick, 2003, p. 214; Nellis, 2006; World Bank, 1995); privatization and efficiency (Boubakri & Cosset, 1998; Megginson & Netter, 2001); privatization and FDI flows (Davis *et al.*, 2000) were rephrased into universalistic value formats and published in the research reports of business associations such as TÜSİAD.

Representing the internationally competitive biggest firms of the country, TÜSİAD acted as a privileged agenda-setting and policy planning group, privileged in its access to government institutions and in its capacity to influence the political agenda. It played a central role in existing networks at the domestic and global level as influential members of TÜSİAD figured prominently in transnational networks such as the Trilateral Commission, Bilderberg Conference, the World Economic Forum, and the European Roundtable of Industrialists.[2] Moreover, by appealing to a wider set of interests and identities, the association tried to transcend its members' material interests and justify its demand for privatization by claiming to represent the general interests of the country (Öniş & Türem, 2001). In this way, TÜSİAD elevated its strategy toward a 'higher, more universal level', which was the 'universal plane of hegemony' (Gramsci, 1971, p. 181; van Apeldoorn, 2001, p. 78). The role of the association can thus be seen as operating primarily at the level of ideas and consensus formation (van Apeldoorn, 2005, p. 121). It was at this level that TÜSİAD was an important actor in the struggle over the privatization of public enterprises.

In its various publications, TÜSİAD (1989, 1992, 1998, 2004b) promoted liberal economic arguments in favor of privatization and aimed at ensuring that all segments of society would support the necessity of the privatization of the SOEs. As indicated in one of its earlier reports on privatization, 'Privatization Implementations in Turkey' (1992), TÜSİAD saw privatization as having a broader meaning beyond the ownership and management transfer of the SOEs to the private sector; it was seen rather as a basic instrument to establish a free market economy. Invoking the inevitability of globalization, and thus the need for economic adjustment, TÜSİAD provided the Turkish public and political decision-makers with a neo-liberal interpretation concerning the causes of socioeconomic difficulties. It maintained that the loss-making SOEs were a burden for the budget and the fact that their losses were financed through the Treasury led to crowding-out and distortion in the rational allocation of resources. It argued that the Turkish public sector lacked efficiency and transparency due to high rigidity and the red tape in bureaucratic organizations and a lack of internal competition hindered technological progress and economic growth. TÜSİAD (1989, p. 161, 1991, p. 22, 2004b, p. 60) thus suggested that the most rational thing to do was to privatize public enterprises that would contribute to the use and distribution of resources effectively; increase competitive power of the country; spread capital to the society; and accelerate the technological transformation.

Analysing the privatization news covered in the mainstream media between 1980 and 2000, Yıldız (2002, p. 109) argues that the media was also a crucial instrument for shaping public opinion for the inevitability of privatization. Yıldız (2002, p. 161) reports that the news presented SOEs as loss-making and badly managed enterprises that should be privatized in order to increase productivity in the economy, encourage competition, and facilitate economic integration with the EU. Tırman (2007, p. 25) similarly demonstrates that mainstream papers presented the SOEs as functioning with backward technology and with positions occupied by partisans. The structural defects of the SOEs were shown as negative influences over the economy and the privatization was presented as a solution for overcoming economic problems and as a way of adjusting to a new international economy (*Hürriyet*, 2004). Tırman (2007) argues that in this way mainstream newspapers presented the privatization policies within a 'having no alternative', 'universal', and 'unobjectionable' economic frame. The so-called 'neutral' and 'scientific' data regarding the 'economic failure' of the SOEs worked to demonstrate the necessity of privatization as a 'scientific reality'. As privatization was elevated to the position of a scientific fact, any alternative or opposing discourse on privatization was excluded or represented in a distorted manner (Tırman, 2007, p. 83).

The presentation of privatization as a necessary, appropriate, and inevitable policy tool for the liberalization of the economy contributed to the ascendancy of this policy to a hegemonic position in Turkey. The discourse of the market became the determinant of social reality (Yalman, 2002) and was functional in the coming to power of a market-oriented political party, the Justice and Development Party (AKP) in 2002. In addition to capital groups and mainstream media, the AKP government constituted an influential agent of the historic bloc that was crucial in the organization of consent for privatization.

The Role of the AKP Government in Creating Consent for the Privatization Process

The pace of privatization in Turkey accelerated with the rise of the AKP to power as a majority governing party in 2002. In the Emergency Action Plan (2003), the AKP government declared its commitment for the privatization of the SOEs and made it clear that the role of the state would be restricted in basic fields such as education, health, justice, and security. In order to generate support for liberal economic reforms, the AKP presented the reforms as the only way of ensuring competition, efficiency, and stability within the country. Attempts were made to explain and justify issues such as how privatization-induced unemployment would be dealt with, how productivity would be maximized, and how the sale of shares would be conducted.

With the participation of politicians, bureaucrats, representatives of the business associations, stock exchanges, banks, domestic and foreign consulting companies, and academics, the AKP government adopted the Turkish Privatization Strategy Plan on 18 May 2003. This plan suggested that by organizing panels and conferences, by informing universities, NGOs, business associations, and trade unions about the benefits and merits of privatization and about the decisiveness of the government on the issue, the consciousness of public opinion would be increased. The Plan further highlighted the necessity of emphasizing successful privatization cases that had been concluded, and of explaining how privatization related unemployment would be compensated in the future by the economic growth that privatization would generate (Privatization Strategy Plan, 2003).

Kemal Unakıtan, the former Minister of Finance, stated that the strong and steady dedication of the AKP government toward the privatization issue led to significant developments in privatization applications (*PA Annual Activity Report*, 2007). More than 70 percent of all privatization concluded in Turkey since the mid-1980s was realized during the AKP period in government. While the privatization revenue generated between

1986 and 2002 was $8 billion, the amount reached to almost $28.5 billion between the periods, 2002–2009 (www.oib.gov.tr).

The European Commission Progress Report on Turkey (2007) welcomed the acceleration of the privatization process in Turkey but indicated that the agenda was not yet finished as 5 percent of GDP and 15 percent of value added in manufacturing was still accounted for by state enterprises. As part of its membership process with the EU, Turkey was supposed to undertake further privatization transactions. The conditionality of the EU to a large extent overlapped with that of the IMF (Eder, 2003, p. 227) and their conditionalities were presented to society as essential to strengthen the economy vis-à-vis domestic and external shocks by creating a competitive and rule based market economy (Derviş *et al.*, 2005, p. 72). Presented as such, these transnational actors altered the domestic political balance of power in favor of reform.

The material constraints of the IMF and the EU were influential in shaping the dominant ideas, the interests and thus the behavior of the actors in Turkey. Nevertheless, the acceptance of the structural coercion of these external actors was facilitated by hegemonic consent, whose creation was shaped by domestic social forces. To put it differently, external pressures related to the world economy was internalized through the internationalized actors in Turkey. Based on this transnational interaction, the concept of privatization rose to a hegemonic position in Turkey. Nevertheless, since hegemony is always constantly under construction and contestation, policy changes are not smooth; rather they are filled with social conflict and struggle (Bieler & Morton, 2001, p. 212).

The attempt to constitute hegemonic consensus for privatization should not be seen as an historically inevitable act but the outcome of social struggle between those already integrated into global production networks, operating on the world market and having a 'globalist' outlook, and those that were oriented toward, and dependent upon, the domestic market, thus adopting a more protectionist perspective (van Appeldoorn, 2001, p. 77). This division implies that hegemony reflects both consent and possible resistance for an alternative form of hegemony. Thus, the following part will examine the role of Turkish trade unions that tried to provide an alternative to the ongoing privatization process by emphasizing social, economic justice, and national independence.

The Struggle of Market-Oriented and Counter-Hegemonic Social Forces over the Privatization of TÜPRAŞ

TÜPRAŞ, the largest petroleum refinery in Turkey, was placed under the privatization program in July 1990 in accordance with the decree no. 90/3 of the PA (www.oib.gov.tr). The privatization process was initially undertaken via public offerings. In 1991, 1.64 percent of its shares were sold to the public on the Istanbul Stock Exchange Market. A further 31.5 percent of its shares were sold in the second public offering realized in April 2000. In July 2003, the Privatization Administration (PA) announced a tender for the block sale of the remaining 65.76 percent of the public shares, which started a long process of legal struggle over the privatization of the enterprise. The tender was finalized on 13 January 2004 and a consortium of Efremov-Kautschuk group, an affiliate of Tatarstan oil producer Tatneft, purchased TÜPRAŞ in exchange for $1.3 billion.

The major resistance against the privatization of TÜPRAŞ came from the Petrol-İş, the trade union organized in the petro-chemical sector, whose activities ranged from following legal procedures against the PA to organizing demonstrations, press conferences, panels on privatization, and mobilizing TÜPRAŞ workers for the industrial action or work-stoppage (Mustafa Özgen, personal interview). As the Petrol-İş lawyer, Gökhan Candoğan, reported, the trade union brought a court case against the Privatization Administration on 13 January 2004 on the grounds that the tender procedures violated the Privatization Law no. 4046 (personal interview). The Petrol-İş contended that the Privatization Tender Commission acted against the public interest by failing to make it clear that the tender would be concluded with a closed offer, thus the participants refrained from making higher offers with the expectation that the auction procedure might be followed. For him, the failure of the Tender Commission not to go for auction although the final proposals of the two investors were very close to each other was against the public interest (personal interview).[3]

Moreover, Petrol-İş claimed that the fact that the Efremov group put forward some conditions in its tender proposal such as the enactment of the new Petroleum Market Law by the Turkish Parliament violated the privatization law no. 4046 (www.petrol-is.org.tr). Petrol-İş challenged the privatization of TÜPRAŞ at the Ankara Tenth Administrative Court, which ruled that the tender was supposed to be finalized with an open auction for the sake of the 'public interest' and for the creation of a competitive bidding process and the bidders were not supposed to propose any conditions according to the privatization law no. 4046 (Gökhan Candoğan, personal interview; www.petrol-is.org.tr). Judging that the privatization of TÜPRAŞ was against the public interest and against the Competition Law, the Court annulled the act on 29 December 2004 (Petrol-İş, 2005a, p. 41).

Another attempt by the PA that ended up with a court case was the sale of 14.76 percent of TÜPRAŞ shares in the Istanbul Stock Exchange Wholesale Market to international institutional investors on 3 March 2005. Petrol-İş challenged this act in the Ankara Twelfth Administrative Court on the grounds that there was no decision of the Privatization High Council that authorized the PA for the sale of TÜPRAŞ shares (The Union of Chambers of Turkish Engineers and Architects (TMMOB, 2005, p. 149)). Finding the act baseless, the Court annulled this sale on 23 May 2006 (www.petrol-is.org.tr).

On 29 April 2005, the PA made the tender announcement for the privatization of the remaining 51 percent of TÜPRAŞ shares through a bloc sale. The tender was finalized on 12 September 2005 through a public auction in which the Koç-Shell consortium won the tender by offering the highest bid, amounting to $4.140 billion. On 13 September 2005, Petrol-İş challenged this transaction at the Council of State that suspended the bloc sale of the 51 percent of TÜPRAŞ on 2 February 2006 on the grounds that the Tender Document failed to commit the potential buyer to the maintenance of investment and production at TÜPRAŞ which was seen as a clear violation of the principle of public interest (Gökhan Candoğan, personal interview; www.petrol-is.org.tr).

Believing that the sale of TÜPRAŞ to the Koç-Shell consortium would lead to a private monopoly and thus high prices, the head of the Petrol-İş Ankara Branch, Mustafa Özgen, claimed that the losers of TÜPRAŞ privatization were not TÜPRAŞ workers but the Turkish people at large (personal interview). Özgen emphasized that although Shell would have a minority share in TÜPRAŞ, it would make high profits in the Turkish market since the agreement concluded between Koç and Shell allowed TÜPRAŞ to import at least 40 percent of its crude oil from Shell (personal interview). Making projections about the post-privatization situation of TÜPRAŞ, Özgen said that,

> under a private monopoly in the refinery sector, it is highly likely that Turkey's domestic production will fall beyond the rising demand; the country's import

> dependence will rise, and this will put other sectors at risk making Turkey vulnerable to world markets. This is a threat to our national interest. (personal interview)

In order to create a strong counter movement against the TÜPRAŞ sale, the Petrol-İş President Mustafa Öztaşkın called for increasing reaction against the overall privatization process, but particularly against the TÜPRAŞ case (Petrol-İş, 2005b). He suggested that intra-union solidarity should be brought to the highest level possible for the creation of public resistance fronts (Petrol-İş, 2005b). He emphasized that the counter-struggle that was going on at the firm, sectoral, or regional level should be spread to the national level. On 30 May 2005, Türk-İş (workers confederation), Petrol-İş, Türk Metal-İş (metal sector), and T. Haber-İş (telecommunications) had a press conference in Istanbul and announced that they would act together in the struggle against the privatization of TÜPRAŞ, ERDEMİR, and Turk Telecom (Petrol-İş, 2005b).

Major political parties also expressed their discontent with the privatization of these important enterprises (Petrol-İş, 2005b, p. 28). Osman Coşkunoğlu and Kemal Kılıçdaroğlu from the opposition the Republican People's Party (CHP) emerged as the most vocal opponents of the privatization process in Turkey. Coşkunoğlu considered privatization as a passion and stated that 'although there is no empirical evidence that private firms operate better, the AKP government claims that they will perform better if privatized' (personal interview). Coşkunoğlu also criticized TÜSİAD for taking the lead in manipulating the people for the benefits of the privatization process (personal interview). Similarly, Kılıçdaroğlu claimed that the government and capital were manipulating the public opinion by linking the merits of privatization to multiple goals such as economic growth, stability, deficit reduction, and democracy (personal interview). He attributed the privatization of the SOEs in Turkey to the IMF's conditionality that tied the release of the loan trenches to certain reforms. He thus considered privatization transactions as violating the national interest (personal interview).

When asked about the criticisms coming from the opposition groups on the national or public interest arguments, Arzu Atik from the Privatization Administration confirmed that TÜPRAŞ had a very significant role in national security by supplying the 700–800 thousand tons of fuel requirement of the armed forces (personal interview). Upon the question whether there was a reaction coming from the military over the privatization of TÜPRAŞ, Atik stated that,

> in order to ensure the supply of the fuel required by the armed forces after its privatization, some precautions were taken by the new law. The amount, quality, timing, and continuity of the production were guaranteed in the articles of Petroleum Market Law no. 5015. (personal interview)

Moreover, Atik added that 'the PA will continue to retain one Class C share in the company, providing it with a right to elect one board member and to influence key corporate decisions that may impact national security' (personal interview). To this end, Atik contended that 'since national security issues are guaranteed by law, the opposition on national security arguments are groundless' (personal interview).

The government and PA technocrats attempted to justify the privatization of such an important enterprise on the grounds that the petroleum sector was a capital intensive sector that required constant technological updates and new investments. Arzu Atik indicated that when privatized, the necessary investments would be undertaken by the private sector (personal interview). She also stated that even the general director of TÜPRAŞ, Hüsamettin Danış, was in favor of its privatization as the company suffered from brain drain when most of its high quality employees left TÜPRAŞ for the already privatized Petrol Ofisi (petroleum distribution) (personal interview). Danış's comments about the privatization of TÜPRAŞ to a daily confirms Atik's remarks:

> [i]n order for TÜPRAŞ to survive, we say yes to its privatization, because it is not possible to run this company through state intervention. Our profit is more than that of a big bank or a big company, but if we were a private company, we would have started investments for a new refinery ... We need more staff, but we cannot hire even single one for years ... There is no flexibility that I can use for my customers; the laws do not let me to do so. Under these restrictions, it is difficult to run this company. Thus, TÜPRAŞ should be privatized; however the privatized TÜPRAŞ should be very well supervised. (*Referans,* 2005)

Defining the claims of Petrol-İş as irrational and ideological, Aykut Bakırcı, the legal counselor of the PA, stated that,

> all the steps we took for the privatization of TÜPRAŞ were completely in accordance with the law, so we did not leave any room for maneuver for the opposition groups like Petrol-İş to challenge the legality of our transactions at the courts. However, since Petrol-İş could not challenge the act on procedural grounds; it challenged it on the public interest arguments. (personal interview)

Considering the argument of public interest as vague and ambiguous, Bakırcı stressed that,

> Petrol-İş is asking for a guarantee for the sustainability of production and investment in TÜPRAŞ, for me the best guarantee provided by the Koç-Shell group is their purchasing TÜPRAŞ by paying more than 4 billion dollars, how can you expect a company to stop production or investment after paying that amount of money? (personal interview)

İsmet Berkan, a liberal journalist from *Radikal* (19 February 2006) also criticized the Council of State's basing its ruling on the TÜPRAŞ privatization on the public interest argument. He emphasized how vague the concept of public interest was and asked whether it was the state's failure to undertake the necessary investments for the production of unleaded-fuel for decades thus increasing the fuel import that violated the public interest or was it the handing over of TÜPRAŞ to a private entrepreneur that undertook to realize this investment was against the public interest? Such a presentation of privatization as 'technical', 'rational', and 'concrete' and that of their opponents as ideological and abstract was influential in delegitimizing the 'public interest' argument of counter forces.

Even the courts that used to reverse privatization transactions on the abstract and vague argument of public interest began to rely on discourses about markets as something concrete. When the PA appealed for the reversal of the ruling on the suspension of the privatization of TÜPRAŞ, the Thirteenth Branch of the State of Council that was to give the final decision on the TÜPRAŞ case approved the sale to the Koç-Shell consortium. The Court justified its verdict on the grounds that:

> it is taken for granted that TÜPRAŞ will undertake necessary investment and production within the framework of the 'market economy'; the fact that Tender Document fails to include a provision that guarantees investment and production in the enterprise does not constitute an obstacle to the privatization of TÜPRAŞ legally. (*Hürriyet*, 2006)

The Court also emphasized that the act was legally carried out in accordance with the objectives of achieving economic efficiency and reducing public expenditures that are indicated in the privatization law no. 4046 (*Hürriyet*, 2006). This ruling of the Court which based its arguments in favor of the 'market' and efficiency rather than public interest indicates that the Court embraced hegemonic principles of the market.

The lawyer of the Petrol-İş, Candoğan associated the market-oriented ruling of the Court with the indifference and insensitivity of the Turkish people to the privatization issue. He stated that,

> [t]he reasons of the reversals of the privatization transactions began to change as of the 2001 economic crisis. Before, the public opinion at large was more sensitive toward privatization. Due to this sensitivity in society, the rulings of the courts were mainly based on the argument of 'public interest'. Today, the situation is different. The courts do not question whether privatization should be done or not, they just examine the legality of the text and no longer base their rulings on public interest arguments. (personal interview; for similar remarks, see *Radikal,* 2005)

Baki Çınar, the General Secretary of Haber-Sen (trade union in the telecom sector) similarly attributed the indifference of the Turkish people to the privatization of TÜPRAŞ and Turk Telecom to the pro-privatization groups' downgrading the prestige of the SOEs through the media. He indicated that, 'the anti-privatization struggle is difficult because the media do not cover our position and persuade people to the merits of privatization' (personal interview). He also complained that trade unions could not mobilize people for resisting against privatization attempts. He stated that both politicians and domestic capital used the media for persuading people that 'no monopolies remain in the world any more', 'the prices will get cheaper after privatization', 'the quality of goods and services provided will increase' (personal interview).

Taking into consideration the legal struggle the trade union undertook, TÜPRAŞ became a legal war between the PA and Petrol-İş, making the latter the main counter force against the privatization of the enterprise. However, it only led to a delay in its privatization without changing the final outcome. The AKP government's strong commitment to its divestiture, the belief of the PA officials and the TÜPRAŞ managers in the necessity of privatizing the enterprise, the emergence of the Koç group, which is one of the prominent members of TÜSİAD as the new owner of the company, these social forces relying on the constraints of the IMF conditionality for the privatization of TÜPRAŞ, and finally the Court's interpreting the case not on the basis of public interest but on the basis of the market economy illustrates how some options were favored over alternatives.

Conclusion

This paper examined privatization in Turkey as a hegemonic process, based on market-oriented social forces creating consent for the reversal of state intervention in the economy. Unlike the arguments that explained the Turkish privatization process only by the material constraints of the IMF and the EU, this paper attributed it to the agency of social forces whose identities, interests, and strategies took shape within a changing global structural context, and who struggled over the direction and content of the Turkish liberalization process. This paper thus considered privatization not as a process imposed on the nation state from above, but rather as a hegemonic project that can be contested or consented by social forces.

The paper highlighted that the introduction of market principles in Turkey as of the 1980s brought new configurations of social forces with a market outlook and structural link with the global economy, including capital groups, globalizing technocrats/bureaucrats, and politicians. Changing economic conditions in Turkey were important in shifting the perceptions and interests of these social forces toward market-oriented reforms. Considering the public ownership of enterprises as an obstacle in front of Turkey's further integration with the world economy, these outward oriented actors promoted market mechanisms such as privatization rather than state-led instruments. In collaboration with external actors like the IMF and the EU, these domestic groups tried to institutionalize new practices of economic governance that would give credibility to governments and confidence to investors. They thus promoted privatization as an integral part of economic reform that would create an internationally competitive and efficient economy.

Discursively, domestic social forces attempted to generate support by claiming that there was no credible alternative to privatization. With their increasing rhetoric about the virtues of the free market economy and private ownership, and the discourse about the inevitability of globalization, the emphasis was put on restricting the role of the state with the regulation and supervision of the economic activities, giving an end to its producer and entrepreneur role; and privatization was presented as contributing to this new role of the state.

Discourses about the state intervention as obstructing efficiency, preventing competition, and thus distorting stability in Turkey played an important role in defining, legitimating and reproducing the intersubjective understandings about the supremacy of markets as a hegemonic idea. Trade unions' protests against privatization were the basic impediment to this attempt at hegemony. Moreover, the most effective means of protest were through the legal channels of the Turkish state. However, the paper demonstrated that the hegemonic ideas extended eventually to judicial institutions as well and voices against the neo-liberal discourse were neutralized by pro-reform social forces. The privatization process was presented as the ultimate solution to economic and social maladies that Turkey was facing. These discursive elements worked for the justification of highly profit making and strategically important enterprises, including Turk Telecom and TÜPRAŞ. The paper concluded that the privatization of these enterprises despite the existence of counter-hegemonic groups were very good examples of showing the changes in actors' perceptions concerning the role of the state, changes in institutional factors and in interests over the years in Turkey.

Notes

[1] According to United Nations Conference on Trade and Development (UNCTAD) calculations (2002), the minimum annual FDI attraction potential of Turkey is $35 billion. However, Turkey could only attract $1 billion foreign investment on average in the 1990s (TÜSİAD, 2004a, p. 1).

[2] For instance, two influential TÜSİAD members, the CEO of the Eczacıbaşı Holding, Bülent Eczacıbaşı and the CEO of the Sabancı Holding, Güler Sabancı are current members of the ERT. Şarık Tara from Enka Holding, Bülent Eczacıbaşı from Eczacıbaşı Holding, Jack Kamhi from Profilo Holding, Mehmet Emin Karamehmet from Çukurova Holding were permanent members of Bilderberg Conference.

[3] Efremov group proposed $1,302,000,000 while Anadolu Girişim Grubu proposed $1,216,000,056.

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